

Your Money.
You Earned It.



Now
Claim It!

Promote the Earned Income Credit And Child Tax Credit

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Presentation by: Cynthia Jensen / Sheryl Kenny

Organization: United Way / City of Arlington

Phone: 817-548-9595 / 817-459-6251

Email: cynthia.jensen@unitedwaytarrant.org
sheryl.kenny@arlingtontx.gov



What are the Earned Income Credit (EIC) and the Child Tax Credit (CTC)?

- ▣ Federal tax benefits for low-income working families and individuals

Purpose:

- Offset income and payroll taxes
- Supplement wages
- Provide a work incentive

Key Features:

- Reduces taxes workers may owe
- Even if workers don't owe taxes, they may be eligible
- Some families can claim both credits



How do Workers Use the Credits?



Child Care



Rent & Utilities



Transportation



Auto Repairs



Basic Needs



Medical Expenses

The credits help workers keep working and care for themselves and their children.



Why is Outreach Needed?

EIC Eligible Workers

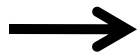


75 – 80% Claim EIC

20 - 25% Do Not
Claim EIC



Why is Outreach Needed?



Over **\$10 billion** in EIC refunds may have gone unclaimed in 2012

Efforts are needed to ensure eligible workers know how to claim the EIC and other tax credits.



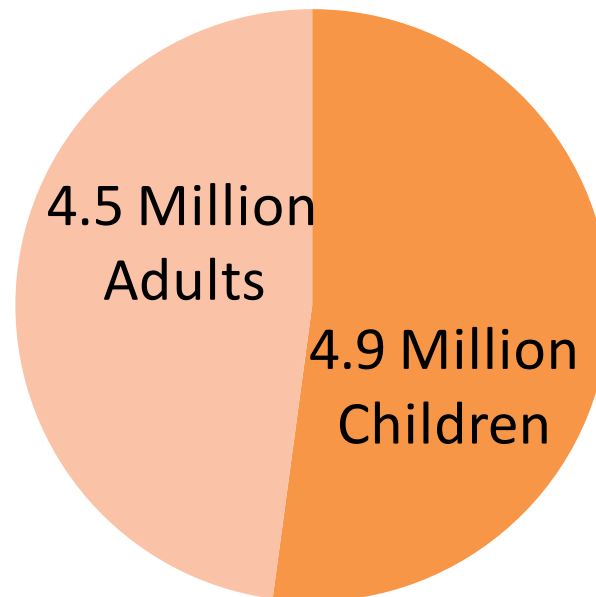
Impact of the EIC and CTC



Did You Know...?

The EIC & CTC Lift More than 9 Million Above the Poverty Line

2011



How Much Can Workers Earn and Still Qualify for the EIC?

For Tax Year 2013:

Number of children:	Income less than:	EIC up to:
3 or more children	\$46,227	\$6,044
2 children	\$43,038	\$5,372
1 child	\$37,870	\$3,250
No children	\$14,340	\$487

- Income limits for married workers are \$5,340 higher than these amounts.
- Workers not raising children must be between the ages of 25 and 64.
- Investment income cannot exceed \$3,300.



EIC Benefits for Tax Year 2013

at Various Income Levels

2013 household income	EIC for single workers not raising a child	EIC for single workers raising one child	EIC for single workers raising two children	EIC for single workers raising three or more children
\$ 5,000	\$383	\$1,700	\$2,000	\$2,250
\$ 8,000	\$485	\$2,720	\$3,200	\$3,600
\$10,000	\$332	\$3,250	\$4,000	\$4,500
\$12,000	\$179	\$3,250	\$4,800	\$5,400
\$14,000	\$26	\$3,250	\$5,372	\$6,044
\$16,000	\$0	\$3,250	\$5,372	\$6,044
\$20,000	\$0	\$2,856	\$4,852	\$5,523



Did You Know...?

The Earned Income Credit (EIC) Boosts Workers' Income

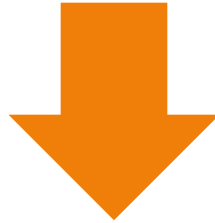
- As much as a 45% pay increase
- \$8/hour job → \$10+/hour job



EIC Impact on Annual Wages

Single worker raising one child:

□ \$8.00/ hour job + EIC = \$10/hour job



□ Annually:

\$16,000 + EIC = \$19,250



The Child Tax Credit



How Does the CTC Work?

1. Reduces or eliminates any income tax owed.
2. Workers may get any remaining CTC as an additional refund also referred to as the Additional Child Tax Credit (ACTC).



How Much Can Workers Earn and Qualify for the CTC?

Workers who earned *more than* \$3,000 in 2013 can get a CTC refund.

Income less than:	Filing status:
\$110,000	Married
\$75,000	Single or Head of Household
\$55,000	Married filing separately

The CTC is worth *up to* \$1,000 for each qualifying child.



How do the Credits Work?



What Counts as Earned Income?

Includes:

- ❑ Wages, salaries, and tips
- ❑ Net earnings from self-employment
- ❑ Union strike benefits
- ❑ Employer-paid disability benefits
- ❑ Military combat pay

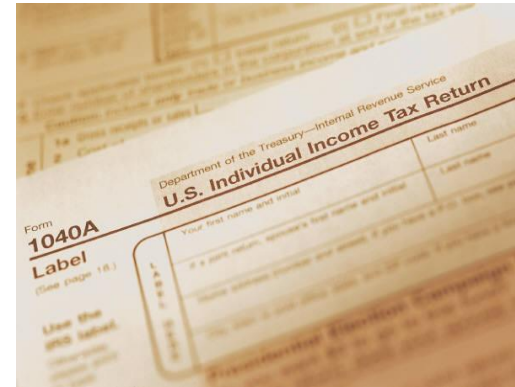
Doesn't Include:

- ❑ Non-taxable earned income
 - Payroll deductions for dependent care or retirement plans
- ❑ Public benefits
 - Social security, SSI, welfare
- ❑ Other income, such as:
 - Unemployment
 - Alimony and child support
 - Interest on bank accounts
 - Investment income



How Do You Claim the Credits?

- You ***must*** file a tax return!
 - Form 1040 or Form 1040A – not 1040EZ
 - EIC - Schedule EIC
 - CTC - Form 8812 – for CTC
- Workers not raising children can file any form
- Eligible workers can claim EIC and CTC refunds for up to 3 previous years



EIC and CTC Rules — What are the Differences?



Who Qualifies for the EIC and CTC?

- Workers who are:
 - Working full-time, part-time or self-employed
 - Also receiving public benefits
 - Single or married
 - Raising a “qualifying child”
 - Some very low-income workers without a “qualifying child” may be able to claim the EIC
 - Immigrants legally authorized to work

CTC ONLY:

- Immigrant workers with Individual Taxpayer Identification Numbers (ITINs)
- Some non-custodial parents



Types of Families Who Claim the EIC & CTC

- Married and unmarried parents
 - Step-parents
- Grandparents, great-grandparents
 - Grandparent with child and grandchild
- Aunt or uncle
- Older brother or sister
 - Step-brother or step-sister
 - Half-brother or half-sister
- Foster and adoptive parents



Definition of a “Qualifying Child”

	EIC	CTC
Relationship	Son, daughter, grandchild, stepchild, adopted child, brother, sister, stepbrother, stepsister (or their descendants) or foster child <i>placed by a government or private agency</i>	
Residence	Must live with worker in the U.S. for more than half the year	
Age	Under 19 or 24 if full-time student or any age if totally and permanently disabled	Under 17

- If you are a qualifying child, you cannot claim the EIC yourself.
- If a child is claimed for both the EIC and CTC, the same worker must claim both credits.

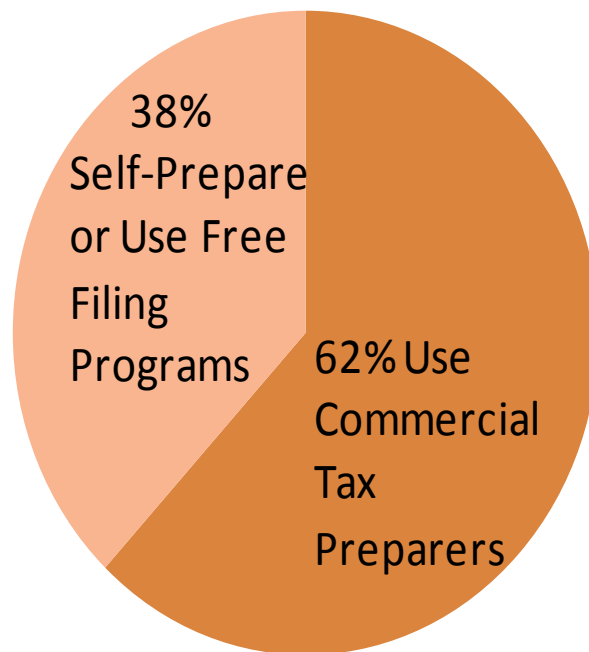


Filing for Free



The High Cost of Commercial Tax Preparation

- ❑ When it's time to file a tax return, many workers seek help from a commercial tax preparer.



EIC Claimants

- Average fees range from \$85 - \$120 for e-filing. ²³



What are RALs & RACs?

Refund Anticipation Loans (RALs)

- ▣ Very high-interest loans
 - Interest rate can be > 180 percent; processing fee can be \$80 or more
- ▣ **No guarantee refund will equal the loan amount**

Refund Anticipation Checks (RACs)

- ▣ Replacing usage of RALs
 - Temporary bank account established to receive refund and issue as a check
- ▣ **No faster than direct deposit**



Are There Alternatives to RALs and Commercial Tax Preparation?

Volunteer Income Tax Assistance (VITA)

- ❑ Free tax filing help for low-income workers at community sites in Arlington:
 - Foundation Communities: Shadowbrook Apartments
 - 2020 South Cooper
 - Hugh Smith Recreation Center
 - 1815 New York Avenue
 - Tarrant County College Southeast Campus
 - 2100 Southeast Parkway
 - Arlington Human Service Center
 - 401 West Sanford



What is Needed to Improve VITA?

- ❑ Post information about VITA at the Workforce Centers and other Community Locations
- ❑ Promote VITA to Employers and Job Seekers at Workforce Orientations and other events
- ❑ Help recruit community volunteers to be trained by IRS to prepare taxes at VITA sites



Can Immigrant Workers Claim the Tax Credits?



- ❑ **To claim the EIC and CTC:**

- Must meet the income requirements
- Child must live with the worker **in the U.S.** for more than half the year

- ❑ **EIC ONLY:**

- Worker, spouse and child must each have an SSN that authorizes work

- ❑ **CTC ONLY:**

- Worker, spouse and child must have either an SSN or ITIN



American Opportunity Tax Credit



- Expands & renames Hope Credit
- Worth up to \$2,500
- 40% of the credit — up to \$1,000 — can be claimed even if no income tax is owed
- Can be claimed for first 4 years of college



Maximizing Refunds



Split Refunds

- ❑ Tax filers can use direct-deposit to split their refund into checking, savings, an IRA or purchase a savings bond.
- ❑ File Form 8888 with the tax return
- ❑ Outreach info and materials:
www.splitrefunds.net
www.bondsmakeiteasy.org/communitypartners



Tax Refunds and Asset-Building Opportunities

- **Promote the EIC and CTC with asset development programs:**
 - Bank Accounts
 - Individual Development Accounts (IDAs)
 - Car Ownership Programs
 - Homeownership Programs

- **Connect taxpayers to financial resources:**
 - Financial Education Classes
 - Credit Reports and Credit Repair
 - Savings Programs



How do the Tax Credits Affect Other Public Benefits?



Do the EIC & CTC Count as Income for Other Public Benefits?

- Current rules enacted by Congress in Dec. 2010:
 - No federal tax refund counts as income for any program with federal funding
 - Refunds that are saved do not count against resource limits for 12 months after the refund is received



Who is at Risk of Missing Out on Refundable Tax Benefits?



Who Might Miss Out on the EIC and CTC?

- ❑ Workers not required to file returns

In 2013:

- \$20,000 for a married couple
- \$12,750 for head of household
- \$10,000 for a single filer

- ❑ Workers just entering labor force

- ❑ New parents

- Foster, adoptive

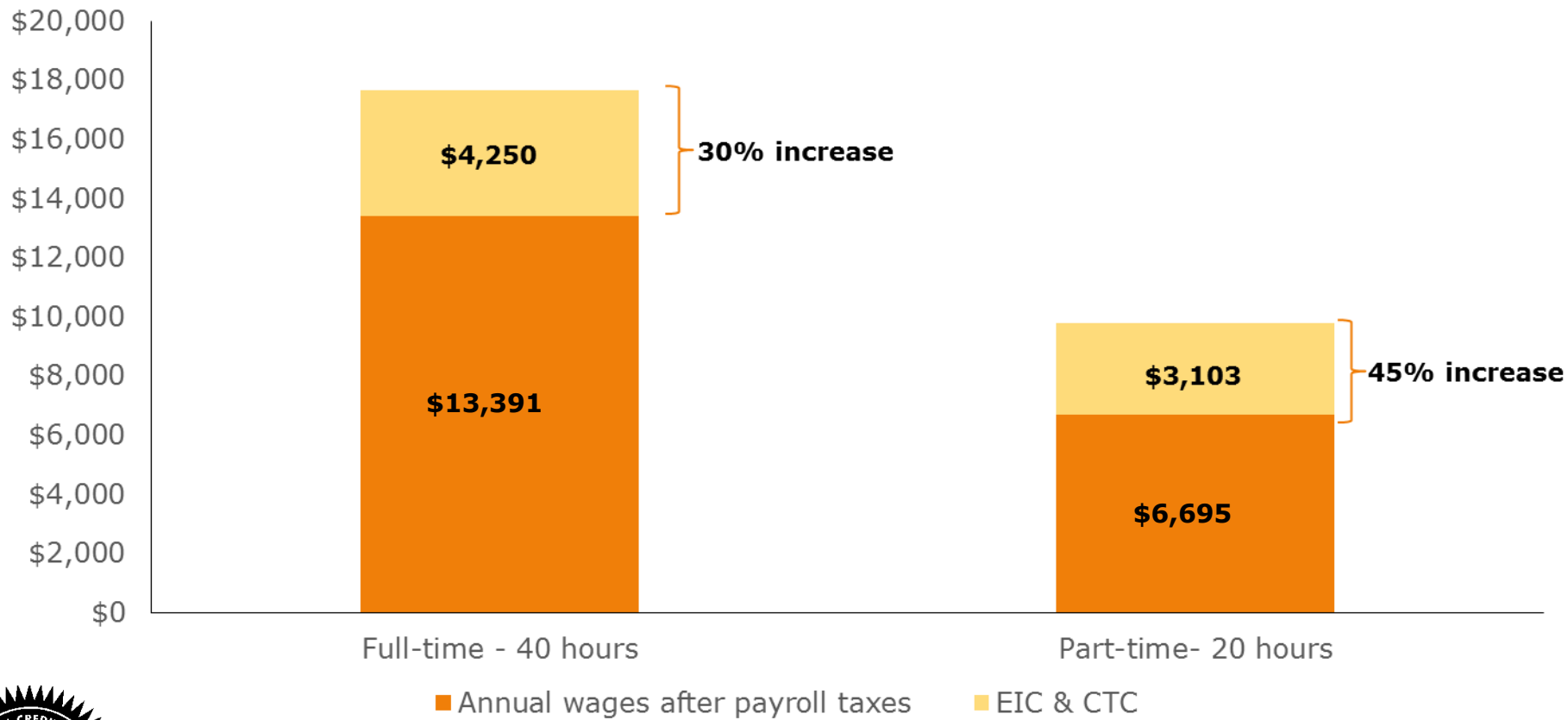
- ❑ Divorced or separated custodial parents

- ❑ Workers newly eligible due to a reduction in income or loss of employment



Tax Credits: Making a Difference

Minimum Wage Worker with One Child



Reaching Out to Promote the Credits



Tax Credit Outreach Coalitions

- Represent a partnership of a variety of organizations — social service agencies, financial institutions, government agencies, faith-based organizations and the IRS.
- Join our coalition:
 - Arlington Financial Stability Partnership: Meets Year-Round to Plan for Free Tax Preparation and Related Services
 - Contact United Way Arlington – Cynthia Jensen



Community Results

Arlington VITA Sites	2011 Tax Season	2012 Tax Season	% Increase
No. of Returns completed	3575	4128	15.5%
Amount of Refunds	\$6,856,000	\$8,441,932	23.1%
No. EITC Claims	1298	1570	21.0%
% EITC of Total Returns	36%	38%	
Amount of EITC Claims	\$2,636,000	\$3,263,730	23.8%
Amount of CTC Claims*	\$431,132	\$2,385,367	see note
No. of Volunteers	317	269	-15.1%
No. of Volunteer hours	5,639	11,187	98.4%
Split Refunds/Savings Bonds	85	215	152.9%

*2012 CTC includes refundable and non-refundable portions. 2011 CTC includes only non-refundable.



The Center on Budget and Policy Priorities' National Tax Credit Outreach Campaign Can:

- ❑ Connect you to online resources:
 - EIC/CTC flyers in 21 languages
 - EIC Estimator
 - EIC & CTC FAQs and much more!

www.eitcoutreach.org



What's Next?

***How will you
contribute to tax
credit outreach
efforts?***



New Health Insurance Premium Tax Credit

- Federal tax credit for the uninsured -- pays a share of health insurance premiums, for coverage in 2014
 - Advance Credit - paid monthly in 2014 by IRS to private insurance plan chosen by consumer through Marketplace agency in state
 - Consumer may have a monthly premium contribution
 - Advance credit will be reconciled with income shown on 2014 tax return
- Most who are now uninsured must get coverage, or pay a penalty to IRS
 - Those with existing coverage aren't required to change
 - Several exemptions from penalty: incl. low income, insurance choices are unaffordable, hardship, ineligible immigrants, Native Americans



Who Qualifies for the New Credit?

- Who qualifies for the credit:
 - Families and individuals with income between 100%-400% of poverty line
 - Must enroll between Oct. 1, 2013 – Mar. 31, 2014
- How much do people pay?
 - Consumer premiums: Limited to 2%-9.5% of family income; sliding scale
 - The premium amount can be adjusted during the year if income or family size changes and is reported to the state Marketplace



Income Eligibility for New Credit Determined Using 2013 Federal Poverty Level (FPL)

- ❑ The FPL is calculated every year by HHS
- ❑ Some individuals between 100% - 133% qualify for expanded Medicaid, if their state expanded coverage

Household size	100%	133%	200%	250%	400%
1	\$11,490	\$15,282	\$22,980	\$28,725	\$45,960
2	\$15,510	\$20,628	\$31,020	\$38,775	\$62,040
3	\$19,530	\$25,975	\$39,060	\$48,825	\$78,120
4	\$23,550	\$31,322	\$47,100	\$58,875	\$94,200
5	\$27,570	\$36,668	\$55,140	\$68,925	\$110,280



Health Insurance Premium Credit Example

- Monica is a single parent earning \$30,000 working for a small business that does not provide health insurance. She is raising two children over age 18.
- Monica enrolls with her state marketplace and chooses a mid-range “benchmark” insurance plan. The total annual premium = **\$6,850. No way she can pay that!**



How Monica Gets Coverage

- But Monica's expected contribution is no more than 4.2% of her income = **\$1,250** – about **\$104 per month**.
- Her annual **tax credit would be \$5,600**, paid by IRS to the insurance company
 - (\$6,850 "benchmark" premium minus Monica's \$1,250 contribution = \$5,600 tax credit).



Helping Families Get Their Premium Credit

- Assist with Applications and Enrollment Oct. 1, 2013 - Mar. 31, 2014
 - Recruit staff and volunteers to be trained assistors, or
 - Provide computer access to self-enroll, or
 - Refer clients to Marketplace and Navigators/Assistor agencies that assist clients
- In 2014, ask your clients if they enrolled
 - If no: before Apr 2014, refer them to Marketplace
 - If yes: do a “checkup”; advise them to immediately report any 2014 income & family changes to Marketplace

To learn more about the Marketplace visit:

www.HealthCare.gov



Health Care Resources in Tarrant County

- United Way is the contracted “Navigator” for the Affordable Care Act in Tarrant County
- Three ways to contact a Navigator:
 - 817-258-8188
 - 1-800-318-2596
 - Call 211 for a referral

